

Press Release

Unique Motors Private Limited

January 25, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE B+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	9.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has upgraded its long-term rating to '**ACUITE B+ (read as ACUITE B plus)**' from **ACUITE B (read as ACUITE B)** on the Rs.9 Crore bank facilities of Unique Motors Pvt Ltd (UMPL). The outlook is '**Stable**'.

Rationale behind rating upgrade

The upgrade in the rating factors in long track record of operations of the company along with promoter's experience in this field of business of more than a decade. However, the above factors are underpinned by dip in revenue in comparison to past years due to discount control policy. Further, the operations of the company are working capital intensive in nature along with below average financial risk profile.

About the Company

Hisar-based, Unique Motors Private Limited (UMPL) was incorporated in 2011 by Mr. Pramod Chhikara and Mr. Ravinder Hooda. The company is an authorized dealer for passenger vehicles of Maruti Suzuki India Limited (MSIL). U MPL sells new cars, used cars (via its True Value shop), accessories, spare parts, and does vehicle maintenance. The company has a 4S facility (4S - sales-servicespares-second hand sales) at Hisar.

Analytical Approach

ACUITE has considered the standalone business and financial risk profiles of U MPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management

The promoters, Mr. Pramod Chhikara and Mr. Ravinder Hooda, have a decade long experience in the automobile industry. Mr. Pramod chhikara have a past experience of operating a car dealership business. The company is an authorized dealer for passenger vehicle segment of Maruti Suzuki India Limited (MSIL) and has a 4S facility (4S - sales-service-spares-second hand sale) located in Hisar. The company benefits from its association with

Maruti Suzuki India Limited, which is holding around 41.30 percent market share in November 2022. The growth was supported by new model launches along with the company's aggressive marketing strategy. Further, the company is also generating revenue from damaged cars. Acuite' believes that UMPL may continue to benefit from its experienced management and association with MSIL as an authorised dealer.

Weaknesses

Decline in revenue with uneven profitability

The company reported decline in operating income at Rs.16.30 Crore in FY2022 as against Rs.19.72 Crore in FY 2021 as company is decreasing its purchases from MSIL and is moving more towards damaged car sale segment. The majority portion of revenue is coming from damaged cars. However, on same account there is an improvement in EBITDA Margins stood at 14.45% in FY22 against 10.74% in FY21.

Working capital intensive nature of operations

The working capital operations of the company are intensive marked by GCA days of 503 days in FY22 as against 382 days in FY21. The increase in GCA Days are on account of increase in debtor days at 123 days in FY22 against 93 days in FY21 as majority of revenue is from damaged cars and recovery of money from insurance companies generally takes 3 months to 4 months. The inventory days of the company stood at 86 days in FY22 against 169 days in FY21. On the other hand, the creditors of the company have increased at 125 days in FY22 against 33 days in FY 21. Acuite believes that the working capital operations of the company may continue to remain intensive considering the major revenue from damaged cars wherein receivables from insurance company takes time.

Below Average Financial Risk Profile

The financial risk profile of the company remains below average with a moderate net worth, high gearing and average coverage indicators. The networth of the company remains moderate at 3.61 Cr as on March, 2022 against Rs 3.57 Cr as on March, 2021. The gearing of the company remains high with debt-equity ratio at 4.78 times in FY 22 as against 5.25 times in FY 21. The TOL/TNW of the company remains high at 6.33 times in FY 22 as against 5.96 times in FY 21. The debt protection metric remains low with interest-coverage-ratio at 1.41 times in FY 22 as against 1.57 times in FY 21 and debt-service-coverage-ratio stood at 1.10 times in FY 22 as against 1.57 times in FY 21.

Acuite' believes that financial risk profile may continue to remain below average with low profits and higher reliance on short term borrowings.

Stiff competition from other dealers in the market

UMPL faces competition from other dealers of other automobile companies. The company has to offer better buying terms in order to boost its volume. Furthermore, the sales as well as purchase prices, are determined by Maruti Suzuki. This results in margin pressure and negatively impacts the earning capacity of the company.

Rating Sensitivities

- Significant and continuous decline in operating revenues.
- Working capital intensive nature of operation.

Material covenants

None.

Liquidity Position Stretched

The liquidity profile of the company is stretched with high reliance on short-term borrowing as an average bank limit utilization for last eight months ended November 2022 stood at almost 100%. However, the company has net cash accruals of Rs.0.67 Crore in FY22 against debt repayment obligation of Rs.0.45 Crore in the same period. Further the company is expecting net cash accrual at Rs.0.78 Crore in FY23 and Rs.0.98 Crore in FY24 against debt repayment obligation of Rs.0.73 crore in the same period. The current ratio of the company stood at 1.31 times in FY22. However, the cash and bank balance of the company stood at Rs.0.53 crore in

FY22.

Outlook: Stable

Acuité believes that UMPL will maintain a 'Stable' outlook in the medium term owing to its experienced promoters and established association with MSIL. The outlook may be revised to 'Positive' in case of an increase in the scale of operations, improvement in profitability and coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	16.30	19.72
PAT	Rs. Cr.	0.04	0.04
PAT Margin	(%)	0.27	0.18
Total Debt/Tangible Net Worth	Times	4.78	5.25
PBDIT/Interest	Times	1.41	1.57

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jan 2022	Cash Credit	Long Term	9.00	ACUITE B (Issuer not co-operating*)
04 Nov 2020	Cash Credit	Long Term	9.00	ACUITE B Stable (Reaffirmed)
21 Aug 2020	Cash Credit	Long Term	9.00	ACUITE B (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE B+ Stable Upgraded

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About Acuité Ratings & Research

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